

## Issue 11: INSIDER'S EDGE: Who's in the household? It's not who you think!

Oh hey there, Insider! Man, do I have a story for you today. Last time, I gave you a better idea of what to expect under the new eligibility rules that use MAGI (that's *modified adjusted gross income*, say that one fast ten times!) MAGI is also impacting how we will determine household size.

Remember, MAGI is a federal standard that is linked to tax methods. MAGI is a *methodology* for how income is counted and how household composition and family size are determined. So, any discussion of MAGI will ultimately come back to how a person files their taxes. Fret not, Insider, Maryland Health Connection will do all the fancy footwork when it comes to calculations, but you should be familiar with the basics because you might get some questions from consumers.



*Relax, MAGI is less complicated than you think.*

OK, here we go. Under MAGI, everything is based on **who's in the household** and the **total household income**. Medicaid Marge might not cut the most dashing figure on the dance floor, but I've devised a handy two-step process for you to use.

**STEP ONE: Who is in the household?** The household includes:

- The taxpayer,
- The taxpayer's spouse ( including stepparents) AND
- Anyone the taxpayer claims as a *dependent*.
  - For example, the taxpayer's older children will count toward the family size if the taxpayer claims them as a dependent *even if* they don't live at home.

**STEP TWO: The second step is determining the household's income using MAGI.** Household income is the sum of the taxpayer's MAGI **PLUS** the MAGI of tax dependents in the family who also file tax returns. So whose income counts?

- The taxpayer's,
- The taxpayer's spouse (including stepparents) AND
- Anyone the taxpayer claims as a dependent **who files a tax return**.
  - So, if the taxpayer claims their child as a dependent *and* that child works and files a tax return, the child's income counts towards the household's income under MAGI.

- Child income does not count if the child does not make enough to be required to file a tax return.

Let's dive right in with some scenarios involving our favorite family, Jack and Diane, shall we? Last time we saw Jack and Diane, they were blissfully married (aw!). The couple files taxes jointly and live with Diane's two children from her previous marriage, Jude and Sherona.

Because Jack and Diane's family is like most, things are about to get more complicated. (When isn't family complicated?) Using the two step approach, let's see what happens to Jack, Diane, and their kin under the new MAGI rules.

### **Scenario 1: Hello, Stepparents!**

**The Scene:** Like before, Jack and Diane are filing jointly. Diane claims her two children from a previous marriage as tax dependents. Diane receives monthly child support from her ex-husband, Rocky.

#### **Step One: Who's in the household?**

- Diane
- Jack, her spouse—remember, he's a stepparent to her two lovely children
- Diane's two children, Jude and Sherona, because she claims them as dependents

*So, under MAGI, the household size is 4.*

#### **Step Two: Whose income counts towards the household's MAGI?**

- Diane's
- Jack's

*Under MAGI, both Jack and Diane's income is counted. Remember, under MAGI, child support Diane receives from Rocky no longer enters the equation.*

### **Scenario 2: The Kids Grow Up So Fast! Jude gets a Job.**



**The Scene:** Now imagine that Diane's son, Jude, works an afterschool job. He makes over \$10,000 a year (it's quite a paper route) and has to file taxes. Diane and Jack still claim Jude and his sister, Sherona, as tax dependents. What's this mean under MAGI?

### Step One: Who's in the household?

- Diane
- Jack, stepparents count!
- Diane's two children, Jude and Sherona, because she claims them as dependents

*So, under MAGI, the household size is 4.*

### Step Two: Whose income counts towards the household's MAGI?

- Diane's
- Jack's
- Jude's (he proudly sent off his 1040EZ form on April 15)

*Under MAGI, both Jack and Diane's income is counted. Since Jude got a job and is required to file a tax return AND Diane still claims him as a dependent, his income will also be included in the family's household income when determining the family's eligibility for insurance assistance or Medicaid.*

### Scenario Three: It Might Be Time for a Duplex

A little later in the future, things are about to get even more complicated for Jack and Diane. (These two might be due for a vacation!) Jude quit his paper route to focus on his school work. Sherona is still too young to work. Diane's sister, Gloria, and her daughter, Cecilia, move into the same house with Jack and Diane. (Round of applause to Diane for helping out her family!) Gloria is divorced and works a part-time job and makes \$15,000/year. She has custody of Cecilia every week night and every other weekend. Gloria files her own tax returns and claims Cecilia as a dependent.



+ = 6

*So that means the household size is 6, right? NOT SO FAST, Insiders!*

### Step One: Who's in the household?

Ok, this one is a bit tricky. There are actually TWO households in this situation even though everyone is living under the same roof. (High five to our Insiders who caught on to that part!)

Household One: Total size of the household is 4

- Diane
- Jack
- Diane's two children, Jude and Sherona, because Diane claims them as dependents

Household Two: Total size of the household is 2

- Gloria (Remember, Gloria isn't Diane's dependent even though she's living under the same roof)
- Cecilia because Gloria claims her as a dependent

### Step Two: Whose income counts towards the household's MAGI?

Household One:

- Diane's
- Jack's

Household Two:

- Gloria's



*See, that wasn't so bad! I can't authorize vacation time for you, so this will have to do.*

**HOT TIP:** Come back next time. I've got the inside story on how changes to MAGI and Maryland's self-attestation rules are going to make life easier for you AND for applicants! Yes, EASIER FOR YOU!

Questions? Send me a message, [dhmh.medicaidmarge@maryland.gov](mailto:dhmh.medicaidmarge@maryland.gov).